



Los Angeles County AUDIT COMMITTEE

Gerardo Pinedo, Chair
2nd District
Carl Gallucci, Vice-Chair
4th District
Louisa Ollague
1st District
Genie Chough
3rd District
Lori Glasgow
5th District

MINUTES SEPTEMBER 5, 2008

Vice Chair Carl Gallucci called the meeting to order at 11:08 a.m. in Conference Room 525, Kenneth Hahn Hall of Administration.

Committee Members Present

Carl Gallucci, Fourth District
Lori Glasgow, Fifth District

Excused Absence

Louisa Ollague, First District
Gerardo Pinedo, Second District
Genie Chough, Third District

Others in Attendance

Jim Schneiderman, Auditor-Controller
Jim Godsey, Macias Gini & O'Connell, LLP
David Livingston, Macias Gini & O'Connell, LLP
Danior Martin, Macias Gini & O'Connell, LLP
Lee Millen, Board of Supervisors
Andrew Sevrin, Board of Supervisors

Impact of New Audit Risk Standards on an Organization's Internal Controls (Discussion with Macias Gini & O'Connell)

Jim Godsey, Macias Gini & O'Connell, LLP, discussed:

- The concerns his firm will address in their audit. Hypothetical questions would be: "Where is the risk? What is the key to controls to that risk? Have they identified a significant risk?"
- Macias Gini & O'Connell do not see a big change this year in their audit policies.
- The materiality amount of the County is \$670 million. It is based on standards of what is material.
- Transactions below 3% will not be recognized in the audit. They will not be looking at every transaction.

Since the objective is to reduce risk, they will continue to see the role of governance in organization. Macias Gini & O'Connell will be speaking with management about governance in organization. The work in the internal audit will be analyzed.

The audit will also be looking at annual required contributions of the County. Some of the data will be reliant on financial statements of the retirement system. There was discussion on the County's option of a "pay as you go" or a funded situation which has a revocable trust. There were excess funds that were moved into the irrevocable trust. (Governmental Accounting Standards Board) GASB 43 and GASB 45 were discussed. GASB is a federally mandated agency that audits departmental funds, and is not confined to the State of California.

A funding mechanism gives the County an idea of what they have for spending and financial status. This should make everyone accountable. Expenditures have inflated: General Relief

has gone up to \$26 million. IHSS has gone up as well: its fund is getting larger because of an increasing elderly population.

Mr. Godsey ended his presentation by saying that Macias Gini & O'Connell is not conducting an aggressive audit that will report financial abuses. He asked the Committee if there were any "hot button" issues for the Board of Supervisors? Vice Chair Gallucci responded that at the present time only health-related funds were of general concern.

Because of a lack of quorum no action was taken.

Commissions Review – Summary of Key Issues and Findings (discussion with Arroyo Associates, Inc.)

There was no discussion.

PUBLIC COMMENT

There was none.

MATTERS NOT ON THE POSTED AGENDA (TO BE PRESENTED AND PLACED ON THE AGENDA OF A FUTURE MEETING)

There were none.

ADJOURNMENT

There being no further business to conduct, the meeting was adjourned at 12:08 p.m.